



# **Water and Wastewater Commission Budget Committee**

## **Financial Forecast 2017-2021**

**May 16, 2016**

# Financial Forecast Overview

- **Business Model Changes**
  - Continued implementation of Joint Committee financial recommendations
  - Strengthen fixed revenue and reserves
  
- **Affordability & Customer Assistance Program (CAP)**
  - Approximately 18,000 participants receive an average discount of 35.3% or \$29.32 per month.
  - \$6.7 Million annually for Customer Assistance Program
  - CAP customer bills forecasted to increase without additional discounts
  
- **Financial Outlook**
  - Debt refinancing in 2015 significantly improved debt service through savings
  - Defeasances of debt using Capital Recovery Fees

# Requirements Forecast

## **FY 2015 Budget**

- \$30.0 million in cost reductions from FY 2014 Budget

## **FY 2016 Budget**

- Continue cost containment reductions in 2016
- FY 2016 approved budget still \$20.5M below the FY 2014 approved budget

## **FY 2017 Forecast**

- Use of CRFs for defeasances
- Increased cash funding of capital projects
- Increase in Total requirements from FY16 approved budget: \$50.6M

# Cost Drivers for 2017

Category	Proposed Increase (Millions)	Justification
Operating Requirements	<b>\$13.8M</b>	<ul style="list-style-type: none"> <li>• Additional Staff \$2.0M</li> <li>• Compensation Adjustment \$1.9M</li> <li>• Health Insurance \$1.8M</li> <li>• Austin Energy Billing &amp; Customer Care \$1.2M</li> <li>• Vacancy Savings Realignment \$1.2M</li> <li>• Market Study \$1.0M</li> <li>• Fleet Fuel &amp; Maintenance \$0.6M</li> <li>• Inflation Adjustment for Commodities/Contractuals \$4.0M</li> <li>• Other City wide Operational Cost \$0.1M</li> </ul>
Debt Service	<b>\$5.4M</b>	<ul style="list-style-type: none"> <li>• Debt Service Cost \$5.4M</li> </ul>
Transfers Out	<b>\$31.4M</b>	<ul style="list-style-type: none"> <li>• Debt Service – CRF Defeasance \$15.0M</li> <li>• CIP Cash Funding \$10.6M</li> <li>• General Fund \$2.0M</li> <li>• Capital Planning Management Fund \$1.8M</li> <li>• City Administrative Support Cost \$0.9M</li> <li>• Economic Development Fund \$0.6M</li> <li>• CTM Fund Transfers \$0.4M</li> <li>• Revenue Stability Fund \$0.1M</li> </ul>

# Proposed Staffing Additions

	Amended	Forecast					Total
	2016	2017	2018	2019	2020	2021	
Approved Positions	1,148.5	1,148.5	1,169.0	1,191.0	1,213.0	1,236.8	
Forecasted Additional Positions		20.5	22.0	22.0	23.8	23.0	111.3
<b>Total Positions</b>	<b>1,148.5</b>	<b>1,169</b>	<b>1,191</b>	<b>1,213</b>	<b>1,236.8</b>	<b>1,259.8</b>	

New Position Costs (\$ in Millions)		\$2.0	\$2.3	\$2.1	\$2.4	\$2.3	\$11.1
<b>Rate Impact</b>		<b>0.2%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>1.1%</b>

# Total Requirements Summary

(In Millions)	Amended	Forecast				
	2016	2017	2018	2019	2020	2021
Operating Requirements	\$ 202.2	\$ 216.0	\$ 229.2	\$ 243.9	\$ 253.9	\$ 264.2
Debt Service	199.9	205.3	206.7	202.0	203.9	206.8
Transfers Out	116.2	147.6	150.3	153.2	158.7	164.6
<b>Total Requirements</b>	<b>\$ 518.3</b>	<b>\$ 568.9</b>	<b>\$ 586.2</b>	<b>\$ 599.1</b>	<b>\$ 616.5</b>	<b>\$ 635.6</b>

\$ Increase from Prior Year	\$ 50.6	\$ 17.3	\$ 12.9	\$ 17.4	\$ 19.1
% Increase from Prior Year	9.8%	3.0%	2.2%	2.9%	3.1%

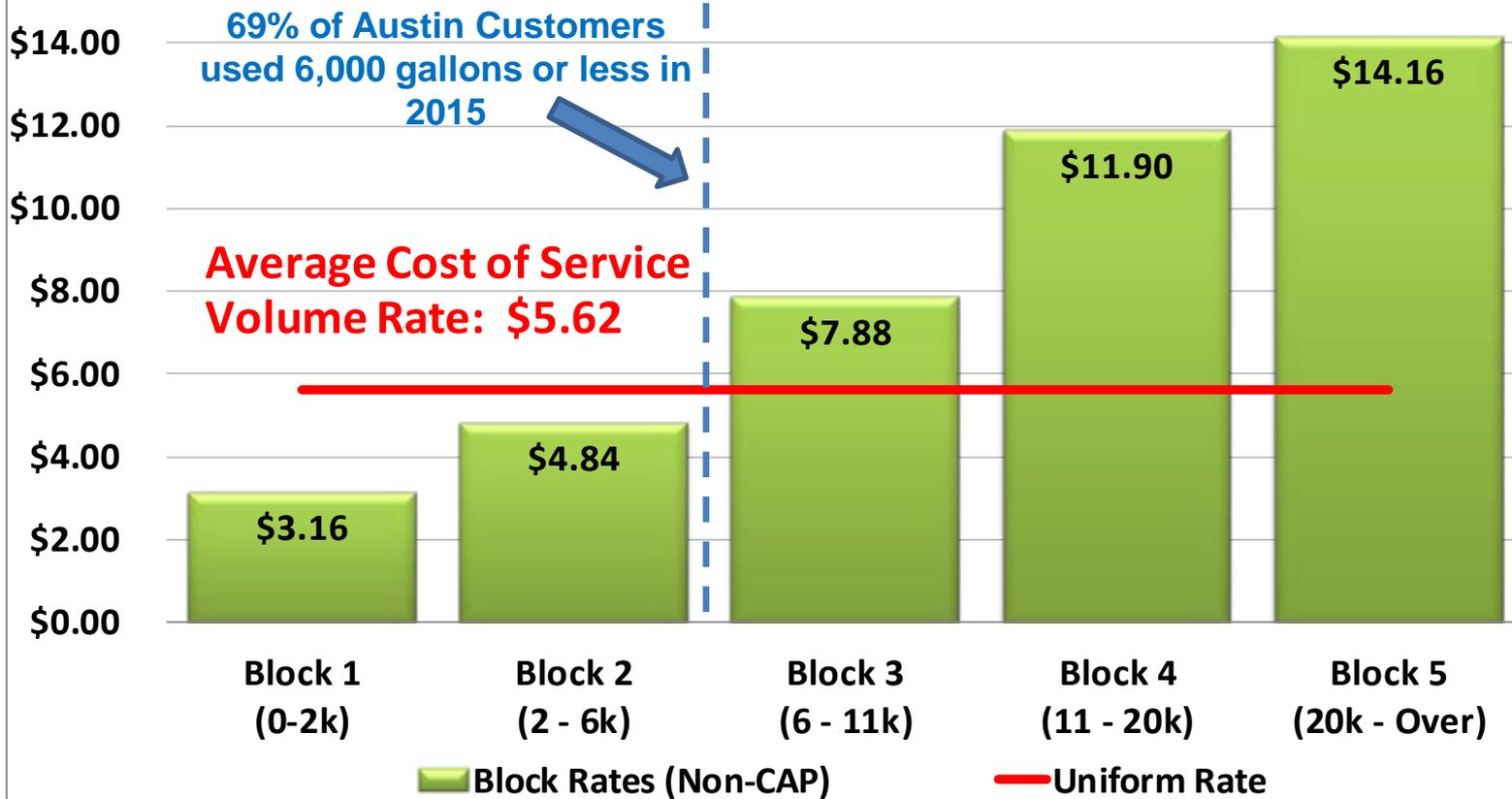
# Revenue and Rates Forecast

# Revenue Forecast Assumptions

- Water service
  - Increased average consumption per account due to relaxed watering restrictions in 2016 and 2017
- Wastewater service
  - Flat wastewater flows per account through the forecast period
- Reclaimed water
  - Continue 5-year plan to increase reclaimed rates to 40% of potable water rate

# FY 2016 Water Rates: Residential

## Residential Volume Rate Per 1,000 Gallons: Uniform vs. Block Rates



- Overall Water Utility
  - Increased average consumption per account projected due to approved new watering restrictions
  - Continue implementation of Joint Committee recommendations
  - Increase overall fixed revenue from 22.5% to 23.0% in 2017
- Residential
  - Increase fixed revenue from 29.4% in 2016 to 29.9% in 2017
- Non-Residential
  - Increase fixed revenue by 0.5% in 2017

# Revenue Summary

	Amended	Estimate	Forecast				
(In Millions)	2016	2016	2017	2018	2019	2020	2021
Water Service	\$ 284.8	\$ 298.2	\$ 299.7	\$ 312.1	\$ 322.0	\$ 334.8	\$ 347.8
Wastewater Service	255.1	255.3	265.2	274.8	284.3	293.7	300.8
Reclaimed Service	1.8	2.7	3.7	4.5	5.2	3.8	4.7
Other Revenue	5.7	5.5	5.2	5.3	5.5	5.6	5.7
Misc. and Interest Inc.	1.4	1.2	1.3	1.4	1.6	1.9	2.3
Transfers In	14.1	21.8	24.0	25.3	26.8	28.4	29.0
<b>Total Revenue</b>	<b>\$562.9</b>	<b>\$584.7</b>	<b>\$599.1</b>	<b>\$623.4</b>	<b>\$645.4</b>	<b>\$668.2</b>	<b>\$690.3</b>

\$ Increase from Prior Year	\$ 14.4	\$ 24.3	\$ 22.0	\$ 22.8	\$ 22.1
% Increase from Prior Year	2.5%	4.1%	3.5%	3.5%	3.3%

# Revenue and Rates

## Projected Service Rate Increases

	2017	2018	2019	2020	2021
<b>Water:</b>	3.4%	3.1%	3.0%	2.9%	2.4%
<b>Wastewater:</b>	3.0%	2.3%	2.2%	2.2%	2.0%
<b>Reclaimed:</b>	5.8%	5.9%	5.1%	15.3%	19.0%
<b>Combined:</b>	3.2%	2.7%	2.6%	2.6%	2.4%

- Revenue Stability Reserve Fund Surcharge
  - No change from current \$0.19 per 1,000 gallons in 2017
  - Transfer from Operating Fund of \$2.0 million in 2017
  - Reach 120 days of Operations & Maintenance in 2018



# Average Residential Customer Estimated 5-Year Bill Impact

	<b>Current 2016</b>	<b>Forecast 2017</b>	<b>Forecast 2018</b>	<b>Forecast 2019</b>	<b>Forecast 2020</b>	<b>Forecast 2021</b>
Water	\$ 40.19	\$ 41.93	\$ 43.19	\$ 43.81	\$ 44.96	\$ 45.97
Wastewater	39.98	41.06	42.00	42.92	43.86	44.74
<b>Total</b>	<b>\$ 80.17</b>	<b>\$ 82.99</b>	<b>\$ 85.19</b>	<b>\$ 86.73</b>	<b>\$ 88.82</b>	<b>\$ 90.71</b>
\$ Variance	-	\$ 2.82	\$ 2.20	\$ 1.54	\$ 2.09	\$ 1.89
% Variance	-	3.5%	2.7%	1.8%	2.4%	2.1%

**1. Bills based on 5,800 gallons water usage and 4,000 gallons wastewater discharge**

2. Actual bill impact could vary slightly based on cost of service calculations for proposed 2017 budget



# Average Residential Customer Estimated 5-Year Bill Impact

	<b>Current 2016 <sup>1</sup></b>	<b>Forecast 2017 <sup>2</sup></b>	<b>Forecast 2018 <sup>2</sup></b>	<b>Forecast 2019 <sup>2</sup></b>	<b>Forecast 2020 <sup>2</sup></b>	<b>Forecast 2021 <sup>2</sup></b>
Water	\$ 37.73	\$ 41.93	\$ 43.19	\$ 43.81	\$ 44.96	\$ 45.97
Wastewater	39.98	41.06	42.00	42.92	43.86	44.74
<b>Total</b>	<b>\$ 77.71</b>	<b>\$ 82.99</b>	<b>\$ 85.19</b>	<b>\$ 86.73</b>	<b>\$ 88.82</b>	<b>\$ 90.71</b>
\$ Variance	-	\$ 5.28	\$ 2.20	\$ 1.54	\$ 2.09	\$ 1.89
% Variance	-	6.8%	2.7%	1.8%	2.4%	2.1%

1. Bills for 2016 based on 5,600 gallons water usage and 4,000 gallons wastewater discharge

2. Bills based on 5,800 gallons water usage and 4,000 gallons wastewater discharge for 2017-21

3. Actual bill impact could vary slightly based on cost of service calculations for proposed 2017 budget

# Customer Assistance Program (CAP) Discount Summary

- Approximately 18,000 CAP participants
- Waived monthly water meter charge
- Waived monthly water tiered fixed fee
- Discounted volumetric water rates
- Waived monthly wastewater customer charge
- Average CAP discount of \$29.32 per month

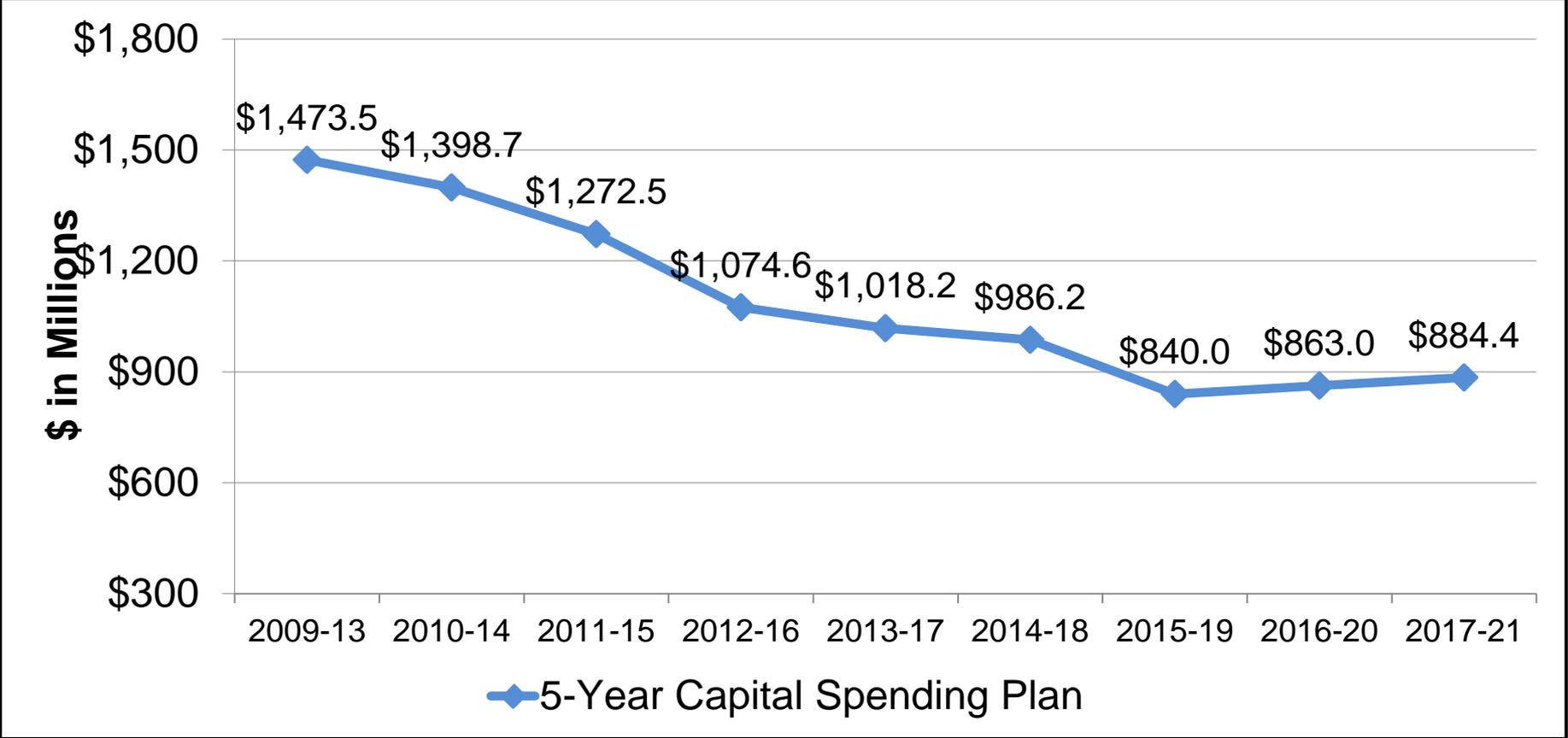
<b>2017 Average Monthly Bill Comparison: Non-CAP vs. CAP</b>				
	<b>Non-CAP</b>	<b>CAP</b>	<b>\$ Discount</b>	<b>% Discount</b>
Water	\$41.93	\$23.11	\$18.82	44.9%
Wastewater	\$41.06	\$30.56	\$10.50	25.6%
Combined	<u>\$82.99</u>	<u>\$53.67</u>	<u>\$29.32</u>	<u>35.3%</u>

Note: Bills based on 5,800 Gals water and 4,000 Gals. wastewater

# Capital Spending

# 5-Year Capital Spending Plan

## Historical Comparison



# Capital Improvement Program

## \$884.4 Million 5-Year Capital Spending Plan

\$ in millions

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Total</u>
<b>Water</b>	<b>\$80.2</b>	<b>\$87.5</b>	<b>\$78.6</b>	<b>\$70.8</b>	<b>\$67.3</b>	<b>\$384.4</b>
<b>Wastewater</b>	<b>67.1</b>	<b>103.5</b>	<b>103.9</b>	<b>93.7</b>	<b>82.3</b>	<b>450.5</b>
<b>Reclaimed</b>	<b>15.9</b>	<b>13.3</b>	<b>9.0</b>	<b>6.3</b>	<b>5.0</b>	<b>49.5</b>
<b>Combined</b>	<b><u>\$163.2</u></b>	<b><u>\$204.3</u></b>	<b><u>\$191.5</u></b>	<b><u>\$170.8</u></b>	<b><u>\$154.6</u></b>	<b><u>\$884.4</u></b>

# Capital Improvement Program

## Capital Projects for FY 2017-21 (Millions)

# Fund Summary

	Amended	*CYE	Forecast				
(In Millions)	2016	2016	2017	2018	2019	2020	2021
<b>Beginning Balance</b>	\$ 77.4	\$ 75.1	\$ 123.1	\$ 153.3	\$ 190.5	\$ 236.8	\$ 288.5
Revenue	548.8	562.9	575.1	598.1	618.6	639.8	661.3
Transfers In	14.1	21.8	24.0	25.3	26.8	28.4	29.0
<b>Available Funds</b>	<b>\$ 562.9</b>	<b>\$ 584.7</b>	<b>\$ 599.1</b>	<b>\$ 623.4</b>	<b>\$ 645.4</b>	<b>\$ 668.2</b>	<b>\$ 690.3</b>
Operating Requirements	202.2	202.3	216.0	229.2	243.9	253.9	264.2
Debt Service	199.9	200.2	205.3	206.7	202.0	203.9	206.8
Transfers Out	116.2	134.2	147.6	150.3	153.2	158.7	164.6
<b>Total Requirements</b>	<b>\$ 518.3</b>	<b>\$ 536.7</b>	<b>\$ 568.9</b>	<b>\$ 586.2</b>	<b>\$ 599.1</b>	<b>\$ 616.5</b>	<b>\$ 635.6</b>
<b>Excess (Deficiency)</b>	<b>44.6</b>	<b>48.0</b>	<b>30.2</b>	<b>37.2</b>	<b>46.3</b>	<b>51.7</b>	<b>54.7</b>
<b>Ending Balance</b>	<b>\$ 122.0</b>	<b>\$ 123.1</b>	<b>\$ 153.3</b>	<b>\$ 190.5</b>	<b>\$ 236.8</b>	<b>\$ 288.5</b>	<b>\$ 343.2</b>
Debt Coverage	1.69	1.69	1.69	1.73	1.78	1.81	1.84

\* FY 2015-16 Beginning Balance adjusted for wholesale rate case refund of \$6.4 million.

**Forecast complies with all Council approved financial policies.**

## For More Information

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**Questions?**

